

**REPORT OF THE AUDIT OF THE
TAYLOR COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TAYLOR COUNTY SHERIFF

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the Taylor County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$46 from the prior year, resulting in excess fees of \$6,161 as of December 31, 2005. Revenues increased by \$22,699 from the prior year and expenditures increased by \$22,653.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Paul W. Patton, Taylor County Judge/Executive
Honorable John E. Shipp, Taylor County Sheriff
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Taylor County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Paul W. Patton, Taylor County Judge/Executive
Honorable John E. Shipp, Taylor County Sheriff
Members of the Taylor County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Taylor County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 23, 2006

TAYLOR COUNTY
JOHN E. SHIPP, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	58,299
State Grants			9,434
State - Kentucky Law Enforcement Foundation Program Fund			34,468
State Fees For Services:			
Finance and Administration Cabinet	\$	45,087	
Cabinet For Human Resources		293	
Sheriff Security Service		20,462	
Marijuana Task Force		<u>1,953</u>	67,795
Circuit Court Clerk:			
Fines and Fees Collected			5,258
Fiscal Court			157,465
County Clerk - Delinquent Taxes			599
Commission On Taxes Collected			252,453
Fees Collected For Services:			
Auto Inspections		12,060	
Accident and Police Reports		1,092	
Serving Papers		17,019	
Carrying Concealed Deadly Weapon Permits		11,560	
Lake Patrol		25,338	
Summons Fees		8,430	
Transporting Patients		<u>18,896</u>	94,395
Other:			
Sheriff's Tax and Penalty Fees		28,627	
School Resource Officers Refund		25,361	
Miscellaneous		<u>1,420</u>	55,408
Interest Earned			9,074
Borrowed Money:			
State Advancement			120,000
Note Proceeds			<u>34,000</u>
Total Revenues			898,648

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
 JOHN E. SHIPP, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 396,474
Part-Time Salaries	34,936
Overtime	25,270

Employee Benefits-

Employer's Share Retirement	6,531
Employer Paid Health Insurance	35,789

Contracted Services-

Advertising	555
Vehicle Maintenance and Repairs	9,586

Materials and Supplies-

Office Materials and Supplies	8,476
Uniforms	4,809

Auto Expense-

Gasoline	26,467
Mileage	204

Other Charges-

Carrying Concealed Deadly Weapon Permits	8,540
Cellular Phone	1,540
Drug Dog	29,863
Juror Meals	77
Law Enforcement	15,595
Postage	52
Summons to County	8,430
Training	7,745
Transporting Prisoners	6,086
Miscellaneous	353

Capital Outlay-

Office Equipment	5,970
Vehicles	19,900
Vehicle Equipment	1,392

Debt Service:

State Advancement	120,000
Notes	40,000
Interest	<u>2,792</u>

Total Expenditures

\$ 817,432

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
JOHN E. SHIPP, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2005
(Continued)

Net Revenues	\$ 81,216
Less: Statutory Maximum	<u>71,861</u>
Excess Fees	9,355
Less: Training Incentive Benefit	<u>3,194</u>
Excess Fees Due County for 2005	6,161
Payment Made To Fiscal Court- February 24, 2006	<u>5,000</u>
Balance Due Fiscal Court at Completion of Audit*	<u><u>\$ 1,161</u></u>

* Note: The Sheriff presented a check to the County Treasurer for the balance due Fiscal Court on August 17, 2006

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 4. Notes Payable

As of January 1, 2005, the office of the Sheriff was liable for an unsecured note of \$6,000. On December 30, 2005 a payment of \$6,000 from the fee account was made. Remaining balance due on this note was \$0.

In March 2005, the office of the Sheriff was liable for an unsecured note that was drawn down in two installments of \$19,900 on March 10, 2005 and \$14,100 on March 30, 2005, for a total of \$34,000. The purpose of the note was to purchase equipment and training for the Sheriff's expanded canine program. At year-end, the Sheriff made two payments of \$20,011 and \$13,989 from the Fee Account. As of December 31, 2005, the balance due on this note was \$0. The office of the Sheriff was in compliance with the terms of the agreement.

Note 5. Drug Forfeiture Account

The Sheriff maintains a Drug Forfeiture Account. This account is funded primarily by proceeds emanating from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. As of January 1, 2005, the Sheriff had a balance of \$932. During the year, receipts totaled \$8,942 and disbursements were \$5,480. The balance as of December 31, 2005 was \$4,394.

Note 6. Sheriff Special Account

The Sheriff's Special Account maintains proceeds from court ordered sales. The beginning balance on January 1, 2005 was \$48. The only activity in this account during the period of January 2005 through September 2005 was a service fee of \$5 made to the financial institution. In October 2005, the Sheriff closed this account, transferring the remaining balance of \$43 to the fee account. As of December 31, 2005 the ending balance was \$0.

Note 7. Community Oriented Policing Services (COPS) Grant

The Taylor County Sheriff's office received a Community Oriented Policing Services (COPS) reimbursement grant from the U.S. Department of Justice. These funds are used to fund salaries and fringe benefits of police officers working within the Taylor County schools. During 2005, the Taylor County Sheriff's office received and expended total funds of \$57,305 from the grant. This grant expired on August 31, 2005 with the entire grant proceeds being expended.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Paul W. Patton, Taylor County Judge/Executive
Honorable John E. Shipp, Taylor County Sheriff
Members of the Taylor County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Taylor County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated August 23, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Taylor County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 23, 2006

